



**EIGHTEENTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION III  
MUNICIPAL DIVISION  
COOPER COUNTY, MISSOURI  
JANUARY 1, 1997 THROUGH MARCH 31, 2001**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2001-67  
August 28, 2001  
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# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

August 2001

**The Eighteenth Judicial Circuit, Associate Division III, Municipal Division, Cooper County, Missouri, is responsible for assessing, collecting, and distributing monies in connection with municipal traffic and ordinance violation cases.**

During March 2001, court officials identified discrepancies in the court's collection of fines and court costs on a number of municipal ticket cases. The Associate Division III Judge notified the Cooper County Sheriff's Department on April 2, 2001, and requested the matter be investigated. On April 13, 2001, the Associate Division III Judge contacted the State Auditor's office regarding this situation. This audit was performed to review these discrepancies and more fully determine the extent of misappropriated court funds.

It appears payments totaling at least \$11,387 were received and not deposited from 1999 through March 2001.

A comparison of recorded receipts to deposits during January through March 2001, revealed that cash receipts totaling approximately \$2,860 were not deposited. It appears these monies were misappropriated.

A total of \$8,527, which pertains to eighty-one municipal tickets, appears to have been received by the court, but not properly recorded and deposited. Numerous alterations were made to the municipal receipt records through the use of "white-out" or by writing over the usual carbon in ink. The difference between the original and altered amounts were not deposited. Payments on many other municipal tickets were not recorded on the receipt records or deposited. For fifteen of the tickets, related to \$1,604 of the misappropriation, the defendants provided receipt slips issued by the court showing the full amount of the ticket paid. For forty of the tickets, related to \$3,472 of the misappropriation, the defendants provided either verbal or written statements indicating the full amount of the tickets paid or there was documentation of the actual payments in the manual case files. Several of the receipts slips provided by defendants or located in the manual case files had been prepared on plain paper, appeared to have no correlation to the official receipt records, and did not always include the date and method of payment or other pertinent information. The Associate Division III Judge and court personnel could provide no explanation for the use of these receipts slips. For the remaining twenty-six tickets, municipal cash bonds, initially receipted by the Boonville Police Department and totaling \$3,451, were apparently transmitted to the court, but not properly recorded or deposited into the municipal account.

(over)

YELLOW SHEET

Payments on a number of other tickets and bonds do not appear to have been properly handled and we are continuing to follow-up on these transactions. Documentation in the case files and/or alterations to the municipal records indicate unrecorded payments or payments that differ from the receipt records may have been made and it is likely additional monies related to at least some of the tickets were also misappropriated. Discrepancies related to these tickets and bonds total approximately \$6,465.

Pamela Potter, the court clerk primarily responsible for handling municipal ticket transactions worked in the court until March 30, 2001, was placed on leave without pay status on April 5, 2001, was terminated on April 12, 2001, and has been charged with and pled guilty to felony stealing.

The misappropriated funds and other discrepancies noted above were not detected or were not detected on a timely basis, due to various internal control weaknesses, deficiencies in some receipt and case records, and the lack of supervisory review over municipal transactions.

The duties of receiving, recording, depositing and disbursing monies are not adequately segregated.

As discussed in a prior report, receipts are not deposited on a timely basis and checks and money orders are not restrictively endorsed immediately upon receipt. Also, monies on hand are not stored in a secure location prior to deposit.

Also as discussed in a prior report, bank reconciliations are not prepared for any municipal bank accounts. In addition, no checkbook balance or book balance is maintained.

Monthly listings of open items (liabilities) have not been prepared since May 2000. At March 2001, identified liabilities exceeded the cash balance by approximately \$839.

The transmittal of bond monies from the Boonville Police Department to the court is not thoroughly documented. In addition, bond monies are not always receipted and deposited timely.

Disbursements to the state, city, and other entities for municipal fines and court costs collected are untimely.

Records and monitoring procedures of the court and Boonville Police Department to account for traffic and ordinance tickets assigned and issued, and the ultimate disposition, are not adequate.

EIGHTEENTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION III  
MUNICIPAL DIVISION  
COOPER COUNTY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Presiding Circuit Judge  
and  
Associate Circuit Judge, Division III  
Eighteenth Judicial Circuit  
Cooper County, Missouri

We have audited the municipal traffic and ordinance tickets and related collections handled by the Eighteenth Judicial Circuit, Associate Division III, Municipal Division, Cooper County, Missouri. The scope of this audit included, but was not limited to, the period of January 1, 1997 through March 31, 2001. The objectives of this audit were to:

1. Investigate discrepancies in the handling of municipal traffic and ordinance tickets and the related collections.
2. Determine the amount of court funds misappropriated.
3. Review and evaluate certain controls and procedures regarding the collection and processing of monies related to municipal traffic and ordinance tickets.
4. Follow up on action taken on findings in our prior audit report.

Our audit was conducted in accordance with applicable standards contained in Government Auditing Standards, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. We reviewed the records and procedures of the Associate Division III, Municipal Division, interviewed personnel of the division, and examined other records and documents as we considered necessary.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings and recommendations concerning the Eighteenth Judicial Circuit, Associate Division III, Municipal Division, Cooper County, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

June 22, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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## EXECUTIVE SUMMARY

EIGHTEENTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION III  
MUNICIPAL DIVISION  
COOPER COUNTY, MISSOURI  
EXECUTIVE SUMMARY

From 1999 through March 31, 2001, it appears that at least \$11,387 of municipal court receipts was misappropriated. For the period January through March 2001, cash receipts totaling approximately \$2,860 were not deposited. In addition, payments on at least eighty-one municipal tickets were not recorded, or were altered to reflect a lesser payment amount. A total of \$8,527 appears to have been received by the court, but not properly recorded and deposited. For fifteen of the tickets, related to \$1,604 of the misappropriation, the defendants were able to produce receipt slips issued by the court showing the full amount of the tickets paid. For forty of the tickets, related to \$3,472 of the misappropriation, defendants provided either verbal or written statements supporting the full amount of the tickets paid. For the remaining twenty-six tickets, related to \$3,451 of the misappropriation, cash bonds had been initially receipted by the Boonville Police Department and transmitted to the Associate Division III, Municipal Division.

Payments on a number of other tickets and bonds do not appear to have been handled properly and it is likely additional monies related to at least some of these transactions were also misappropriated. The lack of some records, disorganization of the records, and numerous alterations to the records prevented us from assuring ourselves of the extent of missing monies.

The misappropriations could have been prevented or detected on a more timely basis if adequate oversight and review had been performed and if proper internal controls as noted in the prior audit findings and the accompanying Management Advisory Report had been established.

Donald Barnes serves as Presiding Judge of the Eighteenth Judicial Circuit. Kenton G. Askren serves as Associate Circuit Judge of Division III. Pamela Potter, the clerk primarily responsible for handling municipal ticket monies worked in the Associate Division until March 30, 2001, was placed on leave without pay status on April 5, 2001, was terminated on April 12, 2001, and has been charged with and pled guilty to felony stealing.



## MANAGEMENT ADVISORY REPORT

EIGHTEENTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION III  
MUNICIPAL DIVISION  
COOPER COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT

The Eighteenth Judicial Circuit, Associate Division III, Municipal Division, Cooper County, Missouri, is responsible for assessing, collecting, and distributing monies in connection with municipal traffic and ordinance violation cases. Three bank accounts are maintained for fines and court costs related to cases for the cities of Boonville, Otterville, and Bunceton.

During March 2001, court officials in Cooper County identified discrepancies in the court's collection of fines and court costs on a number of municipal ticket cases. The Associate Division III Judge notified the Cooper County Sheriff's Department on April 2, 2001, and requested the matter be investigated. On April 13, 2001, the Associate Division III Judge contacted the State Auditor's office regarding this situation. This audit was performed to review these discrepancies and more fully determine the extent of misappropriated court funds.

Following are our comments regarding the misappropriated funds and the accounting controls and procedures over ticket receipts of the Municipal Division.

**1.**

**Misappropriated Funds**

It appears payments totaling at least \$11,387 were received and not deposited from 1999 through March 2001.

A comparison of recorded municipal receipts to deposits during January through March 2001, revealed that cash receipts totaling approximately \$2,860 were not deposited. It appears these monies were misappropriated.

A total of \$8,527, which pertains to eighty-one municipal tickets, appears to have been received by the court, but not properly recorded and deposited. Numerous alterations were made to the municipal receipt records through the use of "white-out" or by writing over the usual carbon in ink. The difference between the original and altered amounts were not deposited. Payments on many other municipal tickets were not recorded on the receipt records or deposited. For fifteen of the tickets, related to \$1,604 of the misappropriation, the defendants provided receipt slips issued by the court showing the full amount of the tickets paid. For forty of the tickets, related to \$3,472 of the misappropriation, defendants provided either verbal or written statements indicating the full amount of the tickets paid or there was documentation of the actual payments in the manual case files. Several of the receipts slips provided by defendants or located in the manual case files had been prepared on plain paper, did not appear to be official receipts of the court, and appeared to have no correlation to the official receipt records. In

addition, the information provided on these receipt slips varied and did not always include the date and method of payment or other pertinent information. The Associate Division III Judge and court personnel could provide no explanation for the use of these receipt slips and were not aware such receipt slips were being issued. For the remaining twenty-six tickets, municipal cash bonds, initially receipted by the Boonville Police Department and totaling \$3,451, were apparently transmitted to the court, but not properly recorded or deposited into the municipal account.

Payments on a number of other tickets and bonds do not appear to have been properly handled and we are continuing to follow-up on these transactions. Documentation in the case files and/or alterations to the municipal records indicate unrecorded payments or payments that differ from the receipt records may have been made and it is likely additional monies related to at least some of the tickets were also misappropriated. Discrepancies related to these tickets and bonds total approximately \$6,465.

Pamela Potter, the court clerk primarily responsible for handling municipal ticket transactions has been charged with and pled guilty to felony stealing.

The misappropriated funds and the other discrepancies noted above were not detected, or were not detected on a timely basis, due to various internal control weaknesses, deficiencies in some receipt and case records, and the lack of supervisory review over municipal transactions (See Management Advisory Report [MAR] No. 2).

**WE RECOMMEND** the Associate Division III Judge continue to work with law enforcement authorities and obtain restitution.

### **AUDITEE'S RESPONSE**

*The Associate Division III Judge indicated he does not believe it would be appropriate for him to respond to this recommendation because he does not have the authority to seek restitution.*

*The Prosecuting Attorney provided the following response:*

*Please be advised that the above-referenced criminal case is currently pending against Ms. Potter in the Circuit Court of Saline County, Missouri, on a change of venue. Ms. Potter has previously entered a plea of guilty to the class C felony of stealing and a Pre-Sentence Investigation is being prepared for the court's review. It is a policy of this office to request restitution in appropriate cases where criminal defendants are placed on probation. Ms. Potter is scheduled to appear for sentencing in Saline County on August 17, 2001. In the event Ms. Potter is placed on probation by the court, this office will request, among other things, full restitution for all monies appropriated by Ms. Potter from court funds. I understand that this amount has not been finally determined yet, but that your office will provide information to assist in such determination.*

<b>2. Accounting Controls and Procedures over City Cases</b>
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- A. Improvements are needed in the segregation of duties in the Municipal Division. With regard to municipal ticket transactions, one clerk was primarily responsible for collecting and maintaining physical custody of receipts, depositing the receipts, recording payments, disbursing monies, and filing the closed cases. The clerk had access to the manual case files and had the ability to change or delete court dates, record case dispositions, and withdraw warrants issued.

To safeguard against possible loss or misuse of funds and to ensure that receipts are properly handled, the cash custody and record-keeping functions should be segregated where possible. If it is not feasible to segregate duties further, at a minimum, there should be an independent comparison of receipt slips to bank deposits and an independent review of bank reconciliations. In addition, supervisory review procedures should be established to periodically identify and review any municipal ticket cases that have had no recorded activity or have not been otherwise resolved for an extended period of time.

- B. As discussed in prior audit recommendations, receipts are not always deposited on a timely basis. Deposit frequency varied from one or two times a week to only once a month. For example, during September 2000, although six deposit slips totaling approximately \$3,102 were prepared throughout the month, all six were deposited on one day, September 29. In addition, checks and money orders are not restrictively endorsed immediately upon receipt and monies on hand are stored in an unlocked file cabinet until deposit. Also, the change fund is not maintained at a set amount.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100, checks and money orders should be endorsed immediately upon receipt, monies on hand should be stored in a secure location until deposited, and the change fund should be maintained at a set amount.

- C. As discussed in prior audit recommendations, bank reconciliations are not prepared for any of the municipal bank accounts. In addition, neither a current checkbook balance nor book balance is maintained for the municipal transactions.

Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect errors on a timely basis. Maintaining current checkbook balances and book balances is necessary to prepare effective and accurate bank reconciliations, and ensure sufficient funds are available for disbursements.

- D. Monthly listings of open items (liabilities) have not been prepared for the municipal accounts since May 2000 and these listings were not reconciled to the cash balances. Comparisons of cash balances to identified liabilities indicated unreconciled differences existed at each year-end of the audit period and as of March 2001, for the Boonville municipal account. At March 2001, identified liabilities exceeded the cash balance by approximately \$839.

Monthly listings of open items are necessary to ensure accountability over open cases. The periodic reconciliation of liabilities with the cash balance provides assurance the records are in balance and that sufficient cash is available to meet liabilities.

- E. Bond monies collected by the Boonville Police Department are transmitted to the Municipal Division for deposit. However, the Municipal Division does not issue a receipt slip to the police department to document which bonds have been transferred and the date of the transfer. In addition, bond monies are not always receipted and deposited by the Municipal Division in a timely manner. Thirty-four bonds, totaling \$5,482, were held thirty or more days after receipt by the police department and before being recorded in the municipal receipt ledger. Most of the bonds collected for the municipal cases are cash. Because the dates of the transmittals were not generally documented, it was difficult to determine whether the delay was due to police department or court procedures. In addition, no independent reviews are performed comparing the monies transmitted by the police department to the court's receipt records.

To safeguard bond collections and reduce the risk of loss, theft, or misuse of these funds, these monies should be receipted immediately with a copy of the receipt being provided to the police department, and deposited in a timely manner. An independent review should be performed periodically comparing the monies received by the police department to what is recorded as received in the court's records.

- F. Disbursements to the state, city and other entities for municipal fines and court costs collected are untimely. Collections for the months of March, April, and May 2000 were not disbursed until July 28, 2000. The October and November 2000 collections were not distributed until February 22, 2001. As of June 2001, no distributions have been made for December 2000 through March 2001 activity.

Timely disbursements of fines and costs collected are necessary to provide adequate controls over account balances and increase the likelihood that discrepancies are detected in a timely manner.

- G. Neither the Boonville Police Department nor the Municipal Division maintains adequate records or monitoring procedures to account for traffic and ordinance tickets assigned and issued, and the ultimate disposition. The police department maintains a ticket log containing basic information for each ticket issued. The

police department places a checkmark beside each case upon final disposition by the court. This occurs when the police department receives a copy of the ticket noting the final disposition of the case. However, the police department does not appear to follow-up on the ultimate disposition of tickets when this information is not received from the Associate Division in a timely manner. Numerous tickets on the police department's ticket log from January 1, 1997 to present, did not indicate a final disposition. At least some of these tickets had been resolved.

Without a proper accounting of the numerical sequence and disposition of traffic tickets, the police department and the Municipal Division cannot be assured that all traffic tickets issued are properly submitted to the court for processing, voided, or not prosecuted. The Municipal Division should work with the Boonville Police Department and any other police departments of cities for which the court collects ticket monies to establish procedures to ensure tickets sent to the court are received and processed accordingly.

- H. Procedures for maintaining municipal records need improvement. Court personnel had difficulty locating various municipal records, case information related to some tickets was not complete, and ticket copies could not always be located. A portion of the March 2001, receipt ledger was never located. Also numerous case files, tickets, and monies had been removed from or misfiled within the court's offices. Numerous alterations were made to the receipt records and case docket information. Several instances were noted where receipt data was noted on a post-it note and attached to the related ticket or docket. Periodic reviews of case files and/or the receipt ledger could have revealed these conditions more timely.

Retention of accounting records is essential to establishing accountability for the court's financial activity. Case files include all relevant information related to court cases, and they should be properly controlled and filed to ensure they are readily accessible when needed. Procedures for periodic reviews of the accounting records and case files should be established.

**WE RECOMMEND** the Associate Division III Judge ensure:

- A. Duties surrounding the handling of municipal tickets and the related payments are segregated to the extent practical. At a minimum, there should be an independent comparison of receipt slips to bank deposits and an independent review of bank reconciliations. Also, procedures should be established to periodically identify and review any cases that have had no recorded activity or have not been otherwise resolved for an extended period of time.
- B. Receipts are deposited daily or when accumulated receipts exceed \$100, checks and money orders are endorsed immediately upon receipt, receipts are stored in a secure location until deposited, and the change fund is maintained at a set amount.

- C. Monthly bank reconciliations are performed and checkbook and ledger balances maintained.
- D. Monthly listings of open items are prepared and reconciled to the cash balance.
- E. Receipt slips which indicate the amount and date received are issued to the agencies transferring bond monies to the court.
- F. Monies collected are disbursed to applicable parties in a timely manner.
- G. Procedures are established with the police department to improve accountability for municipal tickets sent to the court.
- H. Periodic independent reviews of accounting records and case file information are performed.

### **AUDITEE'S RESPONSE**

*The Associate Division III Judge provided the following response:*

*I wish to commend you and your very professional staff for the promptness and thoroughness with which the criminal audit of Cooper County Circuit Court Division 3 has been conducted. The discovery of criminal conduct in this office was a painful and informative experience. Your staff helped to guide us through the process of the audit while we continued to meet the daily needs of the public.*

*The recommendations contained in the Draft Report listed A - H appear to be appropriate. Although these suggestions were thought by me to be in place, they obviously were not being followed with any regularity. This office will make every effort to fully implement the recommendations as set forth in the Draft Report.*

*The city of Boonville Police Chief provided the following response to E and G:*

*After reviewing your office's recommendations, I have come to agreement on two issues.*

*First, follow up on the disposition of tickets when that disposition is not received from the Associate Division will be made by the Police Department.*

*Secondly, the Police Department should receive receipts for any and all bonds collected by the Department and forwarded to the court.*

*We will do whatever we can on our end to follow through on action upholding these two recommendations.*

This report is intended for the information of the management of the Eighteenth Judicial Circuit, Associate Division III, Municipal Division of Cooper County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

EIGHTEENTH JUDICIAL CIRCUIT  
ASSOCIATE DIVISION III  
MUNICIPAL DIVISION  
COOPER COUNTY, MISSOURI  
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Eighteenth Judicial Circuit, Associate Division III, Municipal Division, Cooper County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our Cooper County audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented are repeated in the current MAR.

Associate Circuit Division's Controls and Procedures

- A. Receipts were not always deposited into the municipal bank accounts timely, and the change fund was not maintained at a constant amount.
- B. Checks were not restrictively endorsed until deposits were prepared.
- C. Formal bank reconciliations were not prepared for the municipal bank accounts.
- D. While monthly listings of liabilities (open items) were prepared, the listings were not reconciled to the cash balances.

Recommendation:

The Associate Circuit Judge:

- A. Ensure all receipts are deposited daily or when accumulated receipts exceed \$100, and ensure the change fund is maintained at a constant amount.
- B. Ensure all checks are restrictively endorsed immediately upon receipt.
- C. Ensure formal monthly bank reconciliations are prepared for all accounts.
- D. Ensure a complete and accurate open items list is maintained and reconciled to the cash balance monthly. Any discrepancies should be promptly investigated and resolved.

Status:

Not implemented. See MAR No. 2.

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